



**Statement of Timothy Lynch
Director of Government Affairs
National Insurance Crime Bureau**

**Michigan House of Representatives:
House Insurance Committee**

House Bill 5701

Statement of Timothy J. Lynch – Director, Government Affairs

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Michigan House of Representatives, House Insurance Committee

May 31, 2012

Statement in Support: House Bill 5701

Good morning Mr. Chairman, members of the Committee, my name is Timothy J. Lynch. I am the Director of Government Affairs at the National Insurance Crime Bureau (NICB) based in Des Plaines, Illinois. The NICB is a national, not-for-profit organization supported by approximately 1,100 property/casualty insurance companies, including many who write business in Michigan. Working with our members and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle theft. NICB has five Michigan-based field agents who investigate insurance fraud on a daily basis here in Michigan.

We speak in support of House Bill 5701. NICB, along with the Insurance Institute of Michigan and others, support 5701 as a means to provide necessary statewide coordination of resources to fight insurance fraud in Michigan, a state where no statewide means to fight fraud currently exists.

An analysis of questionable claim referrals to the NICB from Michigan indicate a significant uptick in medical fraud involving overzealous solicitation of patients, upcoding, and other abuses. These schemes take shape using runners, cappers and

steerers who set up fake auto accidents and make false insurance claims for theft rings and medical facilities. Millions of dollars are paid out based on fraudulent diagnostic testing, medical treatment and other forms of gross overutilization.

NICB does wish to applaud the committee, and sponsors Senators Smith and Hune for the swift passage of Senate Bill 298 this session, which would add the actions of runners as specific forms of insurance fraud in Michigan law.

Due to NICB's positioning as the repository for insurance industry questionable claims referrals, we can provide the committee with specific data analysis highlighting the insurance fraud crisis here in Michigan:

- Michigan ranks 3rd nationally in medical questionable claims submitted. Medical questionable claims have spiked 200% over the past year. No-Fault claim severity in Michigan is nearly \$35,000 per claim (next closest state is New Jersey at \$17,000).
- Overall questionable claims have risen by 70% in the past year, with 80% of these claims tied to suspected medical fraud.
- Personal Injury Protection (PIP) related questionable claims have spiked 136%.

With this backdrop, HB 5701 is a sorely needed remedy to help bring Michigan in line with the over 40 other states that have a statewide coordinated system to help combat insurance fraud.

We specifically support the provisions that provide financial support to law enforcement agencies for prosecutorial support, investigative expertise, and training needs. A dedicated prosecutorial focus on insurance fraud has proven to be effective in achieving significant results in states such as Ohio, Pennsylvania and Texas among others.

We also strongly support Section 6108 of the bill that mandates that insurers report suspected fraud to the authority. This also would bring Michigan in line with over 40 other states with similar anti-fraud controls on the books. NICB has a program available at no cost to the state to aid this effort should 5701 be enacted.

In conclusion, NICB supports House Bill 5701. Michigan desperately needs a statewide anti-fraud control system to help fight insurance fraud. The enactment of this bill, along with the SB 298's enactment, would significantly improve the anti-fraud environment in Michigan.